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France

Tree Nuts

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Approved by:

Kurt Seifarth
U.S. Embassy

Prepared by:

Marie-Cécile Hénard

Report Highlights:

France is the largest EU producer and a net exporter of walnuts. However, French production is suffering from two consecutive short crops in 2003 and 2004, due to severe drought in 2003. In addition, the French trade balance is hurting from the stiff price competitiveness of U.S. product on the European market, chiefly due to the dollar's relative weakness to the euro.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

France is the largest EU producer and a net exporter of walnuts. However, French production is suffering from two consecutive short crops in 2003 and 2004, due to severe drought in 2003. In addition, the French trade balance is hurting from the stiff price competitiveness of U.S. product on the European market, chiefly due to the dollar's relative weakness to the euro.

I. SITUATION AND OUTLOOK

Production

France is the leading European producer of walnuts, with roughly 25 percent of total European production. In 2004, preliminary estimates indicate that French walnut production partially recovered from its abnormally low level of 24,000 MT in 2003, where it was negatively affected by severe drought.

There are now 2 appellations of origins (AOC) labels for high quality walnuts in France: "noix de Grenoble" and "noix du Périgord". Nuts marketed under these appellations are grown in delimited zones: "Noix de Grenoble" is grown in the southeastern producing regions of France; and "Noix du Périgord" is grown in southwestern France. (See annual report FR3040, dated 8/11/03)

Consumption

Total walnut consumption in the PS&D includes human consumption and estimated stocks, as separate stock estimates are not available. Walnut consumption in France falls into three categories: snacking and home cooking, by-products (oils), and shelled walnuts used as ingredients in the pastry, bakery and cheese industries.

French households are estimated to purchase approximately 7,000-9,000 MT of in-shell walnuts, (including 2,000 MT of fresh walnuts and 7,000 MT of dried walnuts), and 6,000 MT shelled walnuts per year.

Most of the southeastern production (roughly 75 percent) is for the in-shell walnut market, while more than half of the southwestern production goes to the shelled walnut market segment. Overall, large grades are for the in-shell walnut market, while smaller grades are for the shelled walnut market.

The French per capita consumption of walnuts is 150 grams for in-shell walnuts and 200 grams for shelled walnuts. In-shell walnuts are mainly consumed in the fall and in winter (mainly November and December). There is no seasonality for shelled walnut consumption.

Trade

France is a net exporter of walnuts, and exports principally to EU member states and Switzerland. French and U.S. walnuts compete in these markets. As indicated in the tables below, France mainly exports in-shell walnuts and principally imports shelled walnuts.

In MY 2003/04, French exports of walnuts decreased by 15 percent, due to the lower availability and lower quality (mainly smaller grade nuts) than in the previous year, as French walnut harvest was negatively affected by drought in 2003. In MY 2003/2004, French walnuts also faced increased competition from California product, which benefited from the

lower Dollar to Euro exchange rate. Market shares for French walnuts in Spain and Germany have declined, to the benefit of U.S. product.

In MY 2003/04, reduced French domestic production lead to higher imports of shelled walnuts from Moldova and Ukraine. Imports from the United States also significantly increased but remained limited, and mainly consisted of in-shell walnuts.

Policy

The French Fruits and Vegetable Board (ONIFLHOR) is the French Ministry of Agriculture agency responsible for distributing EU and GOF funds to the French fruit, vegetable and flower sectors. French walnut growers do not receive direct payments for growing walnuts, but they do benefit from programs run through Producer Organizations (POs).

Over the past few years, the 11 walnut/hazelnut/almond POs used GoF and European funds to form POs. In addition, working capital insurance to partially pay storing, packaging and sorting was provided to growers until 2001 (see report FR3040, dated 8/11/2003).

From 1992 to 2003, 26 million euros were provided to French POs specializing in walnut/hazelnut and almond production under the "program for improving quality and marketing" (improving orchards, renewing equipment, getting technical assistance). This amount included 1.5 million euros paid in 2003, 0.275 million euros from the GOF and remainder from the EU budget.

Marketing

While the in-shell large grade, high quality and high-priced walnut market segment is dominated by domestically-grown walnuts sold under the origin logos "noix du Périgord" and "noix de Grenoble", the shelled walnut and the walnut pieces market segments offer the best opportunities for U.S. walnuts.

The market for snacking products has increased significantly over the past few years. Developing consumer-oriented packages (small size, easy to open and close) of shelled walnuts as snacks would certainly help increase sales of U.S. shelled walnuts on the French market.

Another marketing opportunity for U.S. walnuts is shelled walnuts or walnut pieces used in bulk by the French food processing industry. For example, there are more and more U.S.-type cookies and pastry (brownies, muffins) sold on the French market and U.S. walnuts may be used as ingredients in these, either in ready-made products or in cooking mixes to prepare at home.

The leading French importers of U.S. walnuts is:
SAISOF
28/31, rue des investisseurs, ZA Ouest Plaine Haute
91580 Crosne
tel: (33-1) 69 83 88 30
fax: (33-1) 69 83 88 18
saisof@aol.com

II. STATISTICAL TABLES

PS&D Table

PSD Table

Country	France					
Commodity	Walnuts, Inshell Basis					
	2003	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	(HA)(1000 TREES)(MT) 2005 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Area Planted	20200	20200	20400	20200	20400	20200
Area Harvested	15600	15600	15900	15600	15900	15600
Bearing Trees	1600	1600	1600	1600	1600	1600
Non-Bearing Trees	450	450	450	450	450	450
Total Trees	2050	2050	2050	2050	2050	2050
Beginning Stocks	0	0	0	0	0	0
Production	23350	24000	25000	28000	30000	30000
Imports	17950	15490	16000	13000	14000	12000
TOTAL SUPPLY	41300	39490	41000	41000	44000	42000
Exports	16300	18750	16000	20000	19000	21000
Domestic Consumption	25000	20740	25000	21000	25000	21000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTI ON	41300	39490	41000	41000	44000	42000

Trade Matrices

Shelled and In-Shell Trade Data, MY 2000/01 and MY 2001/02 (according to French Customs):

French exports of in-shell walnuts (08023100), MT, product weight:

Countries	MY 01/02	MY 02/03	MY 03/04
Total	17,118	17,291	13,773
U.S.	0	0	0
Spain	5,416	5,759	3,711
Germany	4,100	4,782	3,368
Italy	2,908	1,627	723
Moldova	1,356	1,945	3,398
Portugal	1,159	1,059	682
Belgium	605	456	433
Switzerland	501	487	446

French Imports of in-shell walnuts (08023100), MT, product weight:

Countries	MY 01/02	MY 02/03	MY 03/04
Total	293	1,170	849
U.S.	194	195	459
Spain	54	637	17
Netherlands	0	16	226
Italy	13	209	28

French exports of shelled walnuts (08023200), MT, product weight:

Countries	MY 01/02	MY 02/03	MY 03/04
Total	2,568	2,440	2,490
U.S.	0	0	0
Germany	953	1,050	967
Switzerland	558	475	468
Spain	224	161	111
Netherlands	186	125	153
Portugal	157	96	62
Belgium	152	167	169
Denmark	104	128	135

French imports of shelled walnuts (08023200), MT, product weight:

Countries	MY 01/02	MY 02/03	MY 03/04
Total	6,200	6,467	7,322
U.S.	0	95	40
Moldova	3,666	4,119	4,451
India	870	444	286
Hungary	402	226	298
Greece	144	75	104
China	111	317	315
Ukraine	212	488	870
Poland	148	101	46
Romania	151	75	184

Total French exports of walnuts, in MT, in-shell basis (2 MT shelled walnuts = 1 MT in-shell walnuts) for full MY 2000/01 and 2001/02:

Export Trade Matrix

Country	France			
Commodity	Walnuts, Inshell Basis			
Time Period	Oct/Sept	Units:	MT	
Exports for:	2003		2004	
U.S.	0	U.S.	0	
Others		Others		
Germany	6882	Germany	5302	
Spain	6081	Spain	3933	
Italy	1769	Moldova	3468	
Switzerland	1437	Switzerland	1382	
Portugal	1251	Italy	931	
Moldova	1979	Portugal	806	
Belgium	790	Belgium	771	
Denmark	630	Denmark	523	
Netherlands	290	Netherlands	337	
Poland	264	Austria	314	
Total for Others	21373		17767	
Others not Listed	798		986	
Grand Total	22171		18753	

Import Trade Matrix

Country	France		
Commodity	Walnuts, Inshell Basis		
Time Period	Oct/Sept	Units:	MT
Imports for:	2003		2004
U.S.	385	U.S.	539
Others		Others	
Moldova	8238	Moldova	8924
Ukraine	976	Ukraine	1740
India	888	China	630
Spain	765	Hungary	596
China	634	India	572
Italy	461	Romania	368
Hungary	452	Slovakia	348
Slovakia	224	Spain	301
Poland	202	Netherlands	270
Greece	150	Italy	266
Total for Others	12990		14015
Others not Listed	729		939
Grand Total	14104		15493
Source: French Customs			